

Internet Gold Reports Q3 2008 Results

***- Record Results for 012 Smile.Communications;
Smile.Media Returns to Breakeven After Divesting MSN-Israel -***

PETACH TIKVA, Israel, November 12, 2008 -- Internet Gold Golden Lines Ltd., (NASDAQ Global Market and TASE: IGLD) today reported its financial results for the third quarter ended September 30, 2008.

Highlights

- **Revenues remain stable at NIS 294 million, adjusted EBITDA reaches NIS 80 million** despite economic meltdown.
- **High financial expenses** attributable primarily to the increase in the Israeli CPI to which the Group's bonds are linked and bond-related interest expenses.
- **012 Smile.Communications delivers new records** for revenues and operating income (EBIT), together with strong net income.
- **After MSN-Israel disposition, Smile.Media's continued activities return to operational breakeven.**
- **Share buy-back program continues.**

Financial Results for the Third Quarter

Revenues: Revenues for the third quarter of 2008 were NIS 293.8 million (\$86.0 million), a 1.7% decrease compared year-over-year with NIS 298.9 million in the third quarter of 2007, and a 4.4% increase compared sequentially with NIS 281.4 million in the second quarter of 2008. These revenues reflect the record results delivered by 012 Smile.Communications.

Adjusted EBITDA: Adjusted EBITDA for the third quarter of 2008 was NIS 80.4 million (\$23.5 million), a 28% increase compared year-over-year with NIS 62.9 million for the third quarter of 2007 and a 32% increase compared sequentially with NIS 60.8 million for the second quarter of 2008. This reflects the strong adjusted EBITDA recorded by Smile.Communications together with the one-time impact of the MSN transaction.

For more information regarding the use of non-GAAP financial measures, please see the notes in this press release.

Financing Expenses: Financing expenses for the third quarter were NIS 47.5 million (\$13.9 million) compared with NIS 19.4 million in the third quarter of 2007 and NIS 32.6 million in the second quarter of 2008. This high level of expenses reflects the effect of changes in the Israeli CPI and interest rates on the Company's debt instruments. Specifically, the Company recorded NIS 20 million in CPI linkage expenses as a result of the quarter's 2.1% increase in the Israeli CPI, to which certain of the

Company's bonds are linked. This was a non-cash financial expense that did not affect the Company's cash position. Expenses associated with the interest due on the Company's bonds during the third quarter totaled NIS 12.8 million (\$3.74 million). In addition, some of the Company's investments were downgraded due to the current global economic uncertainty, obligating the Company, according to its conservative investment policies, to realize them at current low prices. This resulted in a loss of NIS 11.7 million (\$3.4 million) that was recorded in Financial Expenses.

Net Results: On a U.S. GAAP basis, the Company recorded a net loss for the third quarter of 2008 of NIS (8.5) million (\$2.5 million), or NIS (0.4) (\$0.12) per share. This compared to a net profit of NIS 3.9 million, or NIS 0.18 per share, in the third quarter of 2007, and a net loss of NIS (8.1) million, or NIS (0.37) per share, for the second quarter of 2008.

Balance Sheet

The Company's cash, cash equivalents and short term investments as of September 30, 2008 were NIS 673.0 million (\$196.7 million), an increase of 37% compared with NIS 492.1 million as of September 30, 2007. In addition, Internet Gold's bank debt decreased by 72% from NIS 231 million as of September 30, 2007 to NIS 64 million (\$18.7 million) as of the end of the third quarter of 2008.

As of September 30, 2008 the Company's primary balance sheet and operational ratios showed significant improvement as compared to September 30, 2007:

<i>As of September 30,</i>	2008	2007
Ratio of Shareholders' Equity to Total Assets	18.5%	*14%
Ratio of Net Debt to EBITDA	1.3	2.8
Adjusted EBITDA margin	27.0%	21.0%
Current Ratio (<i>Current Assets divided by Current Liabilities</i>)	2.03	1.68

* Excluding NIS 85 million utilized in the buyback of the Company's shares.

Comments of Management

Commenting on the results, Eli Holtzman, Internet Gold's CEO, said, "We are pleased to report steady progress and stable results for both of our operating segments, especially given the poor economic climate. Our communications segment achieved record revenues and operating profits during the quarter, demonstrating the resilience of a business that provides vital services to nearly a million customers, and we are pleased to have returned our media segment to operational breakeven, giving us more flexibility in charting its future strategy. As an expression of confidence in Internet Gold's long term prospects and a desire to enhance shareholder value, we continue with our buyback of both shares and convertible bonds."

Mr. Holtzman continued, "Regarding our M&A efforts, we always have been conservative and patient in seeking out the right investments, and, given the current market environment, have become even more so. This approach led to the success of our investment in 012 Golden Lines two years ago— a transaction and process which took our Group to a whole new level - and continues to serve us well. In the meantime, we continue to manage our existing holdings closely and to maintain steady control of our expenses."

Business Segments

012 Smile.Communications Ltd. (NASDAQ and TASE: SMLC): 012 Smile.Communications achieved record revenues and operating profit (EBIT) together with strong net income for the third quarter, demonstrating the steadiness of its business despite an economic slowdown. Revenues for the third quarter were NIS 282 million (\$82 million), a 1% increase as compared year-over-year with NIS 280 million for the third quarter of 2007, and a 7% increase compared sequentially with the second quarter of 2008. This increase reflected a 14% increase in revenues from the Company's broadband services, which compensated for the 35% year-over-year decrease in low-margin hubbing services (wholesale international traffic) and the decrease in the average shekel-dollar exchange rate, which declined by 16% compared to the average rate prevailing in Q3 2007. Excluding the effect of the decrease in the shekel-dollar exchange rate and the reduction in the Company's hubbing revenues, compared to the third quarter of 2007, revenues increased by 12% on a year-over-year basis.

The subsidiary's adjusted EBITDA for the third quarter was NIS 63 million (\$18.4 million), a 2% increase compared year-over-year with the third quarter of 2007, and virtually unchanged as compared with the second quarter of 2008. Adjusted EBITDA margin increased to 22.2% from 21.9% in the parallel period of 2007.

Smile.Media Ltd.: Smile.Media returned to operational breakeven during the third quarter and recorded NIS 12.8 million in Other Income associated with the transfer of its MSN-Israel activities to Microsoft Corporation. The segment's revenues for the third quarter were NIS 13.0 million (US \$3.8 million) and its adjusted EBITDA for the quarter (including one-time net income) was NIS 19.4 million (\$5.6 million).

Other: During the third quarter, Internet Gold incurred operating expenses of approximately NIS 1.5 million (US \$0.44 million). These expenses were primarily for the continued investigation of potential joint venture and M&A opportunities, and for activities related to the Company's listing on public securities exchanges, including expenses such as Investor Relations, Sarbanes Oxley compliance, insurance and legal expenses.

Buyback Programs

- **Share Buyback Program:** During the third quarter, the Company's Board of Directors approved an increase to the Company's share buyback program, authorizing the repurchase of up to an additional NIS 70 million (approximately U.S. \$20.5 million) of the Company's ordinary shares. This program was undertaken after having completed the repurchase of NIS 68 million in ordinary shares in fulfillment of the program announced on November 29, 2007. The total shares repurchased through both programs as of September 30, 2008 reached 2,639,925 shares,

bringing the number of total outstanding shares to 20,878,481 shares as of September 30, 2008. From October 1, 2008 to date, the total number of additional shares repurchased has reached 3,451,629 shares, bringing the total number of outstanding shares to 20,066,777 as of today.

- **Convertible Bond Buyback Program:** During the third quarter, the Company invested NIS 0.5 million (\$0.15 million) in the repurchase of its convertible bonds, bringing the total value of convertible bonds repurchased since the initiation of the program on January 28, 2008 to NIS 9.2 million par value. As a result of conversions of the convertible bonds, our repurchase program and our redemption of 12.5% of these bonds, NIS 93.6 million par value of the bonds remain outstanding out of an original issuance of NIS 220 million.

Conference Call Information

Management will host an interactive teleconference to discuss the results today, November 12, 2008, at 10:00 a.m. EST (17:00 Israel time). **To participate, please call one of the following access numbers several minutes before the call begins: 1-888-281-1167 from within the U.S. or 1-866-9586-867 from within Canada, 0-800-4048-418 from within the U.K., or +972 3 918-0687** from other international locations. The call will also be broadcast live through the company's Website, <http://www.igld.com>, and will be available there for replay during the next 30 days.

NOTE A: Convenience Translation to Dollars

For the convenience of the reader, the reported NIS figures of September 30, 2008 have been presented in thousands of U.S. dollars, translated at the representative rate of exchange as of September 30, 2008 (NIS 3.4210 = U.S. Dollar 1.00). The U.S. Dollar (\$) amounts presented should not be construed as representing amounts receivable or payable in U.S. Dollars or convertible into U.S. Dollars, unless otherwise indicated.

NOTE B: Non-GAAP Financial Measurements

We present adjusted EBITDA as a supplemental performance measure because we believe that it facilitates operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structure (most particularly affecting our interest expense given our recently incurred significant debt), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses or, most recently, our provision for tax expenses) and the age of, depreciation expenses associated with, fixed assets (affecting relative depreciation expense) and expenses recorded for stock compensation in accordance with SFAS 123(R). Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other statement of operations or cash flow data prepared in accordance with GAAP as a measure of our profitability or liquidity. Adjusted EBITDA does not take into account our debt service requirements and other commitments, including capital expenditures, and, accordingly, is not necessarily indicative of amounts that may be available for discretionary uses. In addition, adjusted EBITDA, as presented in this press release, may not be comparable to similarly titled measures reported by other companies due to differences in the way that these measures are calculated.

Note C: Reconciliation Between Results on a GAAP and Non-GAAP Basis

Reconciliation between the Company's results on a GAAP and non-GAAP basis is provided in a table immediately following the Consolidated Statement of Operations (Non-GAAP Basis). Non-GAAP financial measures consist of GAAP financial measures adjusted to exclude amortization of acquired intangible assets, as well as certain business combination accounting entries. The purpose of such adjustments is to give an indication of our performance exclusive of non-cash charges and other items that are considered by management to be outside of our core operating results. Our non-GAAP

financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Our management regularly uses our supplemental non-GAAP financial measures internally to understand, manage and evaluate our business and make operating decisions. These non-GAAP measures are among the primary factors management uses in planning for and forecasting future periods. We believe these non-GAAP financial measures provide consistent and comparable measures to help investors understand our current and future operating cash flow performance. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies. Reconciliation between results on a GAAP and non-GAAP basis is provided in a table immediately following the Consolidated Statement of Operations.

About Internet Gold

Internet Gold is one of Israel's leading communications groups with a major presence across all Internet-related sectors. Its 72.4% owned subsidiary, 012 Smile.Communications Ltd., is one of Israel's major Internet and international telephony service providers, and one of the largest providers of enterprise/IT integration services. Its 100% owned subsidiary, Smile.Media Ltd., manages a portfolio of Internet portals and e-Commerce sites.

Forward-Looking Statements

This press release contains forward-looking statements that are subject to risks and uncertainties. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, general business conditions in the industry, changes in the regulatory and legal compliance environments in the industries it is engaged, the failure to manage growth and other risks detailed from time to time in Internet Gold's filings with the Securities Exchange Commission, including Internet Gold's Annual Report on Form 20-F. These documents contain and identify other important factors that could cause actual results to differ materially from those contained in our projections or forward-looking statements. Stockholders and other readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statement.

For further information, please contact:

Mor Dagan - Investor Relations

mor@km-ir.co.il / Tel:+972-3-516-7620

Ms. Idit Azulay, Internet Gold

idita@co.smile.net.il / Tel: +972 200-3848

Consolidated Balance Sheets

			Convenience translation into U.S. dollars \$1 = NIS 3.421
	September 30 2008 (Unaudited) NIS thousands	December 31 2007 (Audited)	September 30 2008 (Unaudited) \$ thousands
Current assets			
Cash and cash equivalents	116,527	601,926	34,061
Short-term investment	556,434	162,884	162,652
Trade receivables, net	216,578	224,616	63,310
Other receivables	26,551	26,446	7,761
Deferred taxes	8,472	9,707	2,476
Total current assets	924,562	1,025,579	270,260
Investments			
Long-term trade receivables	3,700	3,460	1,082
Deferred taxes	34	192	10
Assets held for employee severance benefits	21,455	20,639	6,272
Investments in investee companies	91	291	27
	25,280	24,582	7,391
Property and equipment, net	165,562	163,949	48,396
Other assets, net	484,062	519,865	141,497
Goodwill	417,423	417,608	122,018
Total assets	2,016,889	2,151,583	589,562

Consolidated Balance Sheets (cont'd)

			Convenience translation into U.S. dollars \$1 = NIS 3.421
	September 30 2008	December 31 2007	September 30 2008
	(Unaudited)	(Audited)	(Unaudited)
	NIS thousands		\$ thousands
Current liabilities			
Short-term bank credit	50,164	77,998	14,664
Current maturities of long-term obligations	10,084	10,734	2,948
Accounts payable	195,187	209,626	57,056
Current maturities of convertible debentures	14,898	15,354	4,355
Current maturities of debentures	95,279	-	27,851
Other current liabilities	89,012	91,131	26,019
Total current liabilities	454,624	404,843	132,893
Long term liabilities			
Long-term loans and other long-term obligations	4,224	32,265	1,235
Liability for termination of employer- employee relations	35,264	35,918	10,308
Deferred taxes	46,680	59,104	13,645
Debentures	832,740	848,616	243,420
Convertible debentures	86,640	104,640	25,326
Total long term liabilities	1,005,548	1,080,543	293,934
Total liabilities	1,460,172	1,485,386	426,827
Minority interest	184,403	180,410	53,903
Shareholders' equity	372,314	485,787	108,832
Total liabilities and shareholders' equity	2,016,889	2,151,583	589,562

Consolidated Statements of Operations

	Three-month period ended September 30		Nine-month period ended September 30		Convenience translation into dollars \$1 = NIS 3.421
	2008	2007	2008	2007	Nine-month period ended September 30
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2008
	NIS thousands		NIS thousands		(Unaudited)
					\$ thousands
Revenues	293,846	298,885	854,901	891,447	249,897
Costs and expenses					
Cost of revenues	204,620	202,164	583,182	608,776	170,471
Selling and marketing expenses	43,446	44,967	125,996	133,382	36,830
General and administrative expenses	16,800	17,858	53,644	50,373	15,681
Impairment and other charges	-	3,073	6,922	4,978	2,023
Other income	(12,791)	-	(12,791)	-	(3,739)
Total costs and expenses	252,075	268,062	756,953	797,509	221,266
Income from operations	41,771	30,823	97,948	93,938	28,631
Financial expenses, net	47,533	19,413	102,604	44,633	29,992
Income (loss) before tax expenses	(5,762)	11,410	(4,656)	49,305	(1,361)
Tax expenses (income)	(815)	7,243	4,707	4,264	1,376
Income (loss) after tax expenses	(4,947)	4,167	(9,363)	45,041	(2,737)
Minority interest (loss) in operations of consolidated subsidiaries	3,506	189	6,553	163	1,916
Net income (loss)	(8,453)	3,978	(15,916)	44,878	(4,653)
Income (loss) per share, basic					
Net income (loss) per share (in NIS)	(0.40)	0.18	(0.72)	2.13	(0.21)
Weighted average number of shares outstanding (in thousands)	21,191	22,130	21,986	21,027	21,986
Income (loss) per share, diluted					
Net income (loss) per share (in NIS)	(0.40)	0.17	(0.72)	2.10	(0.21)
Weighted average number of shares outstanding					

(in thousands)

<u>21,191</u>	<u>22,351</u>	<u>21,986</u>	<u>21,378</u>	<u>21,986</u>
---------------	---------------	---------------	---------------	---------------

Reconciliation Table of Non-GAAP Measures (NIS in thousands)

	Three-month period ended September 30		Nine months period ended September 30		Convenience translation into dollars \$1 = NIS 3.421 Nine-month period ended September 30 2008
	2008	2007	2008	2007	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	NIS thousands		NIS thousands		\$ thousands
GAAP operating income	41,771	30,823	97,948	93,938	28,631
<u>Adjustments</u>					
Amortization of acquired intangible assets	6,820	7,983	20,460	23,952	5,981
Impairment and other charges	-	3,073	6,922	4,978	2,023
Other income	(12,791)	-	(12,791)	-	(3,739)
Other income in respect of MSN transaction	12,791	-	12,791	-	3,739
Stock compensation in accordance with SFAS 123(R)	1,239	-	2,189	-	640
Non-GAAP adjusted operating income	49,830	41,879	127,519	122,868	37,275
GAAP tax expenses (income), net	(815)	7,243	4,707	4,262	1,376
<u>Adjustments</u>					
<u>Amortization of acquired intangible assets</u>					
Included in tax expenses, net	1,841	2,316	5,523	5,970	1,615
Non-GAAP tax expenses, net	1,026	9,559	10,230	10,232	2,991
Net income (loss) as reported	(8,453)	3,978	(15,916)	44,878	(4,653)
Minority interest (loss) in operations of consolidated subsidiaries	3,506	189	6,553	163	1,916
Tax expenses (income)	(815)	7,243	4,707	4,262	1,376
Impairment and other charges	-	3,073	6,922	4,978	2,023
Other income	(12,791)	-	(12,791)	-	(3,739)
Other income in respect of MSN transaction	12,791	-	12,791	-	3,739
Stock compensation in accordance with SFAS 123(R)	1,239	-	2,189	-	640
Financial expenses, net	47,533	19,413	102,604	44,633	29,992
Depreciation and amortization	37,404	28,948	94,398	91,704	27,594
Adjusted EBITDA	80,414	62,844	201,457	190,618	58,888